

Members

Sen. Brandt Hershman, Chairperson
Sen. Greg Walker
Sen. Timothy Skinner
Rep. Peggy Welch
Rep. Eric Turner



COMMISSION ON STATE TAX AND FINANCING POLICY

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MEETING MINUTES¹

Meeting Date: September 22, 2009
Meeting Time: 10:00 A.M.
Meeting Place: State House, 200 W. Washington St., 431
Meeting City: Indianapolis, Indiana
Meeting Number: 2

Members Present: Sen. Brandt Hershman, Chairperson; Sen. Greg Walker; Sen. Timothy Skinner; Rep. Peggy Welch; Rep. Eric Turner.

Members Absent: None.

Chairperson Sen. Hershman called the meeting to order at 10:05 a.m. Sen. Hershman made introductory remarks regarding the agenda.

(1) Sales Tax Treatment of Car Purchase Discounts

Sen. Buck was recognized to testify on the Sales Tax treatment of car purchase discounts. He explained that Indiana is one of the leading states in automobile manufacturing and that many people are employed both directly and indirectly by the industry. Incentives are given in order to move inventory, and slow sales often cause layoffs. He argued that Indiana should only collect Sales Tax on the sales price and not the original price of the vehicle when dealer rebates are involved. Sen. Buck also stated that the combination of Sales Tax treatment of car purchase discounts and the Vehicle Excise Tax makes Indiana an expensive state for purchasing a new vehicle. The Commission also discussed: (1) the situation with Chrysler and the affect of the bankruptcy proceeding on paying its property tax liability to Howard County; and (2) the treatment of rebates for appliances and recreational vehicles with regards to Sales Tax.

Ed Gohmann, Staff Attorney, Legislative Services Agency, presented a memorandum on the Sales Tax treatment of discounts on vehicle purchases (Exhibit A). He explained the situations

¹ Exhibits and other materials referenced in these minutes can be inspected and copied in the Legislative Information Center in Room 230 of the State House in Indianapolis, Indiana. Requests for copies may be mailed to the Legislative Information Center, Legislative Services Agency, 200 West Washington Street, Indianapolis, IN 46204-2789. A fee of \$0.15 per page and mailing costs will be charged for copies. These minutes are also available on the Internet at the General Assembly homepage. The URL address of the General Assembly homepage is <http://www.in.gov/legislative/>. No fee is charged for viewing, downloading, or printing minutes from the Internet.

when rebates would not be deducted from the taxable sales price of a motor vehicle, and thus subject to Sales Tax. He also reported that the federal “Cash for Clunkers” program treated the transactions as trade-ins, and thus were not subject to Sales Tax.

(2) Tax Policies for Logistics Providers

David W. Holt, Vice President, Operations & Business Development, Conexus Indiana, presented a report on state infrastructure programs and incentives in Illinois, Indiana, Kentucky, Michigan, Ohio, Tennessee, and Wisconsin (Exhibit B). He explained that Indiana’s unique location and number of interstate miles provide a significant advantage to the state in the movement of products. He proposed that the legislature consider a Rail Investment Tax Credit and a dedicated Air Fund to leverage federal funding. Mr. Holt also stated that Conexus is currently working on recommendations for the legislature on how to effectively expand the industry, but that they may not be finished compiling the recommendations in time for the next legislative session. He remarked that Conexus is considering how to expand both public and private inland ports. He also stated that they would provide more information on which airports are considered to be underutilized.

Jessica Harmon, fiscal analyst, Legislative Services Agency, presented a memorandum on tax policies for logistics providers in Illinois, Indiana, Kentucky, Michigan, Ohio, Tennessee, and Wisconsin (Exhibit C). The memo provided brief descriptions of various tax incentives for logistics providers, as well as fiscal estimates in some cases.

(3) State Taxation of Retirement Benefits

Jim Landers, senior fiscal analyst, Legislative Services Agency, presented a memorandum on the taxation of pension income (Exhibit D). He provided an overview of the deductions from adjusted gross income (AGI) that are currently allowed, and a brief history of the military pension income tax deduction. He also explained that the increase of any income tax deduction will have implications for local option income tax revenue. Mr. Landers will provide more information on marginal tax rates for states that fully exempt retirement and pension income from taxation.

The following individuals testified regarding state taxation of military retirement benefits: Steve Short (The American Legion, VFW, DAV, AMVETS); Ron Martin (Veterans Coalition of Indiana); Joseph Ryan (Military Officers Association of America); and Jim Davis (Military Officers Association of America).

Steve Short testified that he has concerns about the granting of a full exemption of military retirement income from income taxation in the current economic environment because it could cause a decrease in current veterans benefits. However, if a full exemption would be beneficial to Indiana’s economy, veterans, and survivors, he would be in favor of this change.

Ron Martin presented a position paper (Exhibit E), and he testified that Indiana should work harder to attract military retirees to the state. He suggested that veterans may choose to retire in other states because of tax incentives. He reported that in 2007, the average military retirement benefit was \$16,863, and it was \$17,328 in 2008.

Joseph Ryan presented a position paper (Exhibit F), and he testified that Indiana falls short in tax relief to military retirees when compared to other states. He stated that veterans are vital to the economy because they provide economic benefits to the state through consumption of goods and services, and by creating jobs and investment opportunities.

Jim Davis stated that he supports a full exemption of military retirement income from taxation.

He also suggested that Indiana should advertise that it is a good place to retire.

(4) Department of State Revenue-General Issues

Commissioner John Eckart, Department of State Revenue (DOR), provided a brief update of legislation from the 2009 regular and special sessions, and provided legislative considerations for the 2010 session (Exhibit G). He reported that most of the DOR's recommendations were passed in HB 1001-2009(ss), except for some enhancements to electronic filing. One of the legislative recommendations for the 2010 session is for the electronic filing of W-2s, and he reported that DOR has the technological capability to handle this. Also, he does not anticipate that the DOR will have a large number of recommendations for the 2010 session.

Sen. Hershman announced that the next meeting would be held on October 5, 2009, and he adjourned the meeting at approximately 12:15 p.m.